

City of San José

Coyote Valley Specific Plan

Summary of Task Force Meeting March 27, 2006 200 E. Santa Clara Street, Rooms W118-120

Task Force Members Present

Co-chair Councilmember Forrest Williams, co-chair Councilmember Nancy Pyle, Supervisor Don Gage, Chuck Butters, Eric Carruthers, Helen Chapman, Pat Dando, Russ Danielson, Craig Edgerton, Doreen Morgan, Christopher Platten, Ken Saso, Steve Schott, Jr., Steve Speno, and Neil Struthers.

Task Force Members Absent

Gladwyn D'Souza, Phaedra Ellis-Lamkins, and Dan Hancock.

Technical Advisory Committee (TAC) Members Present

Dawn Cameron (County Roads), Mike Griffis (County Roads), Dennis Martin (HBANC), Pat Sausedo (NAIOP), Tim Steele (Sobrato), and Kerry Williams (Coyote Housing Group).

City and Other Public Agencies Staff Present

Frances Grammer (Council District 2), Lee Wilcox (Council District 10), Rachael Gibson (Office of Supervisor Don Gage), Joseph Horwedel (PBCE), Laurel Prevetti (PBCE), Sal Yakubu (PBCE), Sylvia Do (PBCE), Perihan Ozdemir (PBCE), and Regina Mancera (PBCE).

Consultants Present

Roger Shanks (Dahlin Group), Jim Musbach (EPS), Bill Wagner (HMH Engineers), and Eileen Goodwin (Apex Strategies).

Community Members Present

Tom Armstrong, Mike Biggar, Sean Charpentier, Roger Costa, Sean Cottle, Frank Crane, June Crane, Richard DeSmet, Robert Eltgroth, Larry Glick, Virginia Holtz, Matt King, Jack Kuzia, Pat Kuzia, Tim Muller, George Reilly, Peter Rothschild, Candy Richter, Annie Saso, Pete Silva, Sharon Simonson, Judy Stabile, George Thomas, Jr., Shellé Thomas, Don Weden, and Kim Weden.

1. Welcome

The meeting convened at 5:30 p.m. with co-chair Councilmember Forrest Williams welcoming everyone to the 42nd Coyote Valley Specific Plan (CVSP) Task Force meeting.

2. Acceptance of March 13, 2006 Task Force Meeting Summary

Co-chair Nancy Pyle called for a motion to accept the March 13, 2006 Task Force meeting summary. The motion passed unanimously.

3. Work Plan

Laurel Prevetti, deputy director of the Planning, Building and Code Enforcement Department, reviewed the latest CVSP work plan. She announced that the next community meeting will take place on March 30, 2006 at the Cypress Senior Center. This will be the first of many citywide CVSP community meetings intended to continue to broaden outreach about the CVSP. Also, Laurel indicated that:

The next City Council Study Session is scheduled for April 7, 2006 to discuss transportation issues.

The April 10, 2006 Task Force meeting has been cancelled since additional time is needed to work on affordable housing issues. The April 24, 2006 Task Force meeting will discuss the results of the CVSP fiscal impact study.

4. Overview of Fiscal Impact Studies

- a) Jim Musbach, with Economic and Planning Systems, provided an overview of the type of information typically included in fiscal impact studies in preparation for the release of a Fiscal Impact Study (FIS) on the CVSP expected in April 2006.

In his presentation, Jim reviewed the purpose of an FIS and its various elements, the City's General Fund, and the key factors affecting fiscal balance. He also reviewed California's Proposition 13, Bay Area economic and housing trends, and a couple of samples of fiscal results.

The Task Force provided the following questions and comments (Please note that comments are shown first, followed by responses in italics):

- Does the CVSP use the same revenue assumptions and capture rates used in the City's other fiscal analyses? If not, any differences should be explained in the report. *The assumptions used are specific to Coyote Valley.*
- Will an average cost analysis or a marginal cost analysis be used to determine service costs? *A marginal cost analysis will be used for Coyote Valley.*
- A marginal cost analysis will be a good reflection of the actual service cost that will be experienced in Coyote Valley.
- The presentation mentioned that San Jose receives a 12 percent proportion of property taxes. How was this number calculated? *The proportion of property tax received varies throughout the City. The City receives an overall average 12 percent of property taxes.*
- Would like the fiscal analysis to show when housing can support services and what the assumptions are.
- One of the major constraints to region's economic growth is the lack of affordable housing. Recommended looking at an economic model as well. Need to determine how dependent we are on attracting jobs with reasonable housing prices.
- Coyote Valley is post-Proposition 13. Why is Proposition 13 included in the fiscal analysis? *Proposition 13 is included to provide an idea of where fiscal impacts come from.*
- Does the fiscal analysis compare today's housing prices to the projected housing prices pre-Proposition 13? No.
- How many properties are still affected by Proposition 13? *There is a 10 percent turnover rate per year.*
- Proposition 13 has disadvantages, but it has some benefits as well. Farming in Coyote Valley was unprofitable before Proposition 13. Some families still own land in Coyote Valley because of Proposition 13. The CVSP will have financial benefits since it will include properties that are not currently paying their fair share.
- State law allows seniors to maintain their property tax base when they move, even if they relocate to other cooperating States. How would this impact Coyote Valley? *The value of the homes can be reassessed. Seniors can receive a tax benefit for their new home.*
- Will the fiscal analysis look at different types of fiscal mitigation measures? Yes.
- What is the net surplus or deficit service cost per residential unit? *Jim indicated that he would go through examples of this later in the presentation.*

- b) Jim presented examples of service costs from four typical infill development projects in the South Bay. He showed an example of how a project's housing price distribution between various levels of market rate and affordability produced a weighted average of \$650,000, which is also the median housing price in Santa Clara County. He also provided an example of how higher density residential projects could generate high General Fund surpluses, and discussed the fiscal dynamics of Greenfield development.

The Task Force provided the following questions and comments:

- Does the fiscal analysis use the City's current standards for services? Yes.
 - What does fiscal "mitigation measures" mean? *Fiscal mitigation measures can include various financing methods that provide supplementary income to cover service costs.*
 - Clarify the overall General Fund cost and the variable General Fund cost per capita. Why is the overall General Fund cost used in the fiscal analysis? *Some categories of the City's budget are affected by development, whereas other categories are fixed. The overall General Fund cost gives an idea of how development affects the City's budget. The overall General Fund cost will not be included in the fiscal analysis.*
 - In the service cost examples, how was the overall General Fund cost of \$700 per capita derived? *The number taken from studies done in Santa Clara, Sunnyvale, and Cupertino. The number is typical for San Jose.*
 - Will the Task Force have the opportunity to look at the assumptions City departments made in terms of overall and variable General Fund costs? Yes.
 - In the service cost examples, why was a 10 percent proportion of property taxes used? *The examples use a rounded citywide average. The City's proportion of property taxes ranges from 4 to 13 percent.*
 - How was the net surplus or deficit calculated per capita and per unit? *The service cost per unit is calculated based on 2.5 persons per household.*
 - If affordable housing units pay different levels of service costs, how will the difference be covered? *Other units will make up the difference through cross subsidies.*
 - In addition to residential uses, will the fiscal analysis also study industrial, commercial, and mixed-uses? Yes.
- c) Jim discussed the key variables of fiscal sustainability. Surplus' can erode over time depending on the rate of home price appreciation, the rate of property turnover, and the rate of inflation. He also explained the various types of fiscal mitigation measures.

The Task Force provided the following questions and comments:

- Explain the various financing methods for mitigation measures. *Mello-Roos' are special taxes that require a two-thirds approval by voters. Landscape and lighting districts require an approval by a majority of voters. Homeowner Associations are created by developers, and contain*

their own boards and bylaws. Developer endowments are created by developers as part of a specific plan process.

- Give an example of a developer endowment. *A developer endowment was proposed for a sports park in Alameda County, but it was not passed by voters. The endowment would have created a fund generated by an annual dividend for park maintenance.*
- A developer endowment was proposed in Richmond to maintain landscaping throughout a development project.
- Cities in the Sacramento area use Mello-Roos to supplement service costs. The Mello-Roos fees are reasonably \$250 per year for homeowners. Higher densities generate more City revenue with little impact to residents.
- One of the benefits of Mello-Roos is that they can end once facilities are paid for. The Mello-Roos district can continue for a longer period of time for facilities maintenance.
- Rather than the City providing services, interested in seeing what types of services can be provide for Coyote Valley with Mello-Roos.
- What are the tax limitations for Mello-Roos districts? *Mello-Roos generally cannot go beyond a 2 percent total tax burden. Recommended against going beyond a 1.75 percent tax burden. The fiscal analysis will look at tax burden implications and feasibility.*
- Would like the report to list examples for each type of fiscal mitigation measure. It is important to understand what methods are available and the experience that exists throughout the state.
- Recommended that affordable housing have a positive weighting. Affordable housing provides housing and has long-term economic benefits. *The fiscal analysis incorporates affordable housing in terms of impacts on revenues. The City is also working with the affordable housing focus group.*
- Most of the for-sale moderate (MOD) income units will be close to market-rate value and will carry almost full property taxes. How will we determine which portion is allocated to low-income (LI), very low income (VLI), and extremely low income (ELI) units? *There are different ways to look at this. VLI units may be built by non-profit affordable housing developers and may be tax-exempt. MOD units will be based on construction costs.*
- Are there examples of how ELI units have been achieved in other Greenfield development? *Yes. Developers have experience with this and have achieved affordable housing units through different ways. The inclusionary method allows affordable housing units to be built with market-rate units. Non-profit affordable housing developers have been able to achieve VLI and ELI units. The Bay Area has excellent affordable housing providers. This information has been shared with the affordable housing focus group.*
- It is important to show that the CVSP is self-sustaining even with affordable housing.
- Also need to look at the benefits the CVSP will bring to the City.

d) The public provided the following questions and comments:

- Frank Crane, representing the Mikami family, indicated that his family owns property on the east side of Monterey Road. Although some people disagree with the CVSP, he

knows that, based on the progress of the Task Force, the plan will move forward. Frank said that scarcity creates higher housing prices. The CVSP should help create affordable housing to keep housing prices more reasonable. The properties located east of Monterey Road should be included in the earlier development phases since they are easier to develop. The area has been annexed into the City since 1958.

5. Public Comments

None.

6. Adjourn

Councilmember Pyle commended the Task Force for helping to make the CVSP come together by thinking outside of the box.

Councilmember Pyle adjourned the meeting at 7:00 p.m. The next Task Force meeting will take place on April 24, 2006.